indusmin limited

Annual Report 1972

The front cover illustrates a shovel working at the quarry face loading nepheline syenite ore at Nephton, Ontario.

Year in Brief

(Dollars in 000's except amounts per share)

	1972	1971
Net sales	$ 13,221	$ 10,947
Net earnings	1,248	459
Net earnings per share	$ 1.07	$ .39
Dividends declared per share	$ .55	$ .50
Cash flow per share	$ 2.80	$ 1.94
Total assets	$ 19,178	$ 19,467
Shareholders' equity	12,857	12,252
Equity per share	$ 11.01	$ 10.49
Issued capital — shares	1,167,901	1,167,901
Sales by division — Nepheline Syenite	*35.8%*	*38.9%*
% of Total — Aggregates	*23.4*	*24.8*
— Silica (Quebec)	*25.4*	*25.1*
— Silica (Ontario)	*15.4*	*11.2*
Total divisional operating profit	$ 3,181	$ 2,151
deduct: — corporate expense	1,078	957
— research & development expense	352	262
— interest expense	298	375
Income before taxes	1,452	557
Income and mining taxes	646	139
Net income —	806	418
— as a % of sales	*6.1*	*3.8*
Add extraordinary item	442	41
Net earnings	$ 1,248	$ 459
Number of Shareholders	3,036	3,178
Number of Employees	400	364

The Annual Meeting of the Shareholders of Indusmin Limited will be held at the Indusmin Research Centre, 1933 Leslie Street, Don Mills, Ontario on Tuesday, April 3, 1973, at the hour of 11:00 o'clock in the forenoon.

To Our Shareholders

Indusmin's sales and net earnings in 1972 increased substantially over the levels of the prior year. Sales rose 20.8% to $13,221,082 from $10,946,897 in 1971. Net earnings increased to $1,248,119 from $459,197, a 171.8% gain, and earnings per share were $1.07 compared with $0.39 on the same 1,167,901 shares.

Your Company in 1972 mined a total of 3¾ million tons of ore, paid out $4,700,000 in wages and related costs, and consumed $5,000,000 in materials, supplies and services. In addition, revenues in excess of $10,000,000 were received by the rail, highway and water carriers for distributing your Company's products.

Dividend disbursements in 1972 amounted to $642,345. Dividends were paid on June 20 (25 cents per share) and December 20 (30 cents per share), a total of 55 cents for the year. The total dividend payments since inception now amount to $6,587,935.

Sales

The 1972 sales volume was the highest in the history of the Company, representing a gain since 1967 of 102%.

The seasonal fluctuation in sales was again evident in 1972. First quarter sales amounted to 18.3% of the total, while the comparable percentages for the second, third and final quarters were 26.1%, 28.3% and 27.3%, respectively.

The pattern of sales in terms of deliveries to end-use industries was similar to that in 1971. The glass container industry was again the largest consumer, accounting for 29.8% of the Company's total sales volume. The consumption by other industry groupings was as follows: paving 13.9%, concrete products 15.3%, ceramic products 12.6%, flat and other glass 6.1%, abrasives 7.0%, filler applications 5.2%, glass fibres 5.1%, and miscellaneous 5.0%.

The distribution of sales in terms of market area, with the 1971 figures in brackets was: Canada 70.7% (67.7%), the United States 26.9% (28.5%), other 2.4% (3.8%).

Earnings

The improvement in earnings of 68 cents per share in comparison with 1971, reflects the better economic climate which prevailed in 1972 and a partial resolution of the problems in the Midland process plant. The return on shareholders' equity rose to 9.7% from 3.7% in 1971.

Net income before addition of the extraordinary item was $806,019 amounting to 6.1% of sales. The comparable ratio for 1971 was 3.8%.

The addition of the extraordinary item ($442,100 in 1972) as an offset against taxes, derives from the accumulation of charges against earnings in prior years which had not been claimed for tax purposes. This item is further explained in the notes (No. 8) to the Consolidated Financial Statements. It should be noted that the tax equivalent of the balance remaining at the end of 1972 for application in future years is $159,500.

Cash recovery in 1972 amounted to $3,266,476 ($2.80 per share), compared with $2,261,814 ($1.94 per share) for 1971.

The deficit in working capital was reduced from $2,132,218 at the beginning of the year to $843,680 at the year end.

Debt

Bank indebtedness declined from $5,187,556 at the end of 1971 to $4,244,242 at the end of 1972, a reduction of $943,314. Interest expense in 1972 amounted to $298,539, as against $374,765 in 1971.

Write-offs

The total write-offs in 1972 amounted to $1,911,148, equal to 58.5% of the cash flow.

The methods employed for the calculation of write-offs are outlined in Notes 5 and 6 to the Consolidated Financial Statements.

Capital and deferred development expenditures

Expenditures on land, plant and equipment were $1,199,456, amounting to 62.8% of the write-offs and 36.7% of the cash flow. The expenditures were allocated as follows: to increase capacity 34%; for replacements and modernization 39%; for environmental control 19%; and for other purposes 8%. An estimated $1,330,000 will be spent for similar programs in 1973. Deferred development expenditures in 1972 amounted to $135,324, and were related solely to quarry development at St. Canut. There are no such expenditures programmed for 1973.

Corporate development

Expenditures on the two aspects of corporate development in 1972 totalled $414,277, approximately 3.1% of sales.

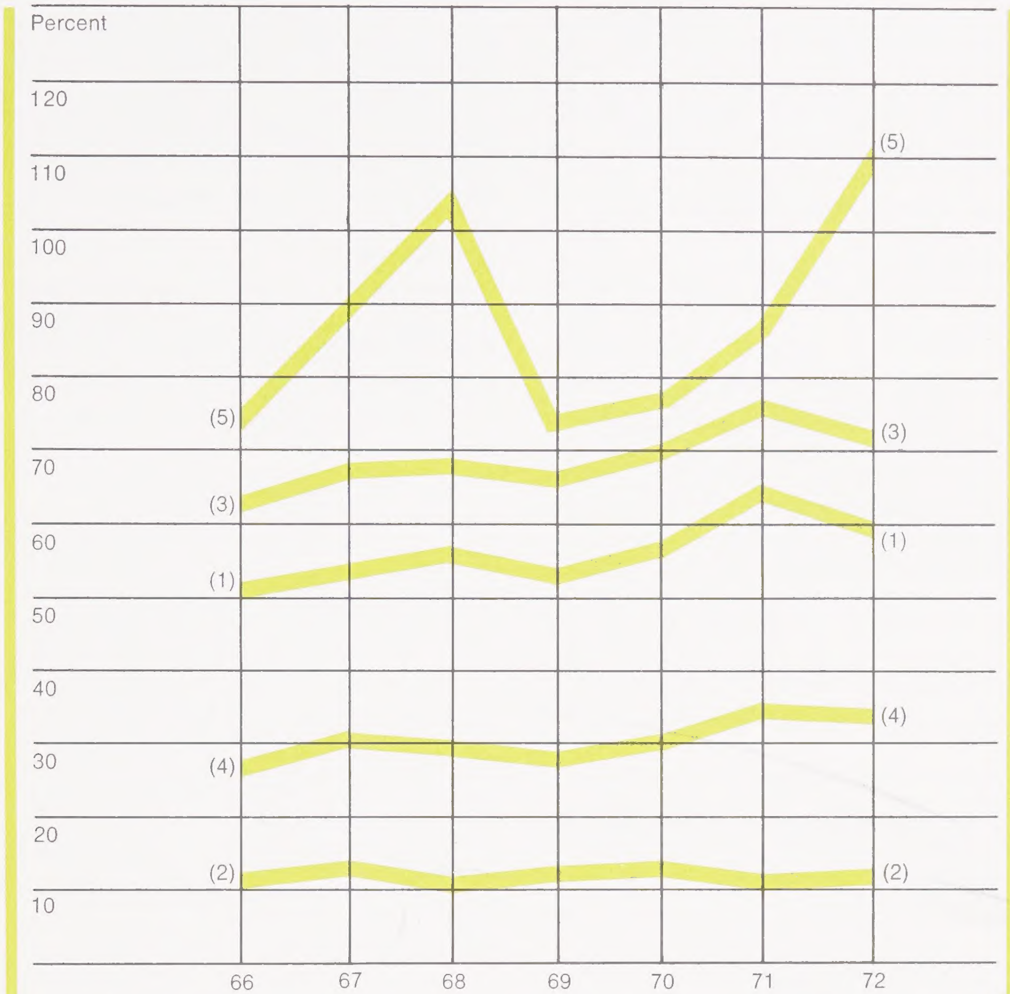
Expenditures in the research sector on new product and process development, and technical services were $294,704. An additional sum of $117,765 of a capital nature, was used to expand the research laboratory capability, and included the installation of new X-ray fluorescence and X-ray diffraction testing equipment. Research grants obtained from the Canadian Government in support of one of the research programs and revenues for work undertaken for others reduced the research costs by $62,867.

More than 30% of the effort in this department is directed toward diversification, through the development of new applications for the Company's products, and the development of new products.

The innovative research program related to the development of new uses for nepheline syenite and silica, partially financed by the National Research Council, met most of the targets set for 1972. Patent applications have been made regarding certain details of this development work. The program will be continued throughout all of 1973. The National Research Council financial support has been renewed.

Much of the activity in 1972 was in support of the Ontario Silica Division with such projects as the pelletization and utilization of silica fines, thermal treatment of the crude ore and the use of grinding aids.

The other side of the corporate development activity — exploration, property evaluation and the investigation of investment opportunities — accounted for 28.9% of the total expenditure. This activity was restricted in 1972 in the interests of conserving funds to reduce the bank indebtedness. The restrictions will be lifted in 1973 and the pursuit of new ventures will be aggressively resumed.



(1) Cost of product
(2) Selling & Administration
(3) Sum of (1) and (2)
(4) Wages & Related costs
(5) Ratio sales to net fixed assets

1, 2, 3 and 4 as % of Sales

The evaluation of the Northern Ontario kaolin property was completed. The projected mining and processing costs indicated that a satisfactory return on investment was unattainable and the exploration license was surrendered.

The 1972 evaluation program for the bentonite prospect in Saskatchewan consisted of additional drilling on the property, a comprehensive market survey, definition of processing methods, and the determination of product characteristics. A decision on this prospect will be reached in 1973.

The capital and operating costs for the British Columbia feldspathic sand deposit were updated and refined. The conclusions confirmed the earlier appraisals that the current market potential is too small for economic development.

Conceptual studies were completed for a range of diversification opportunities, particularly in the field of construction materials. The concept of indulging in a carefully chosen activity to provide vertical integration is deemed to have much merit.

Subsidiaries

The wholly-owned American Nepheline Corporation provides on Indusmin's behalf, technical and engineering services to customers in the United States. In addition, this corporation acts as a sales agent for a U.S. principal. American Nepheline Corporation is seeking to extend its agency function.

Indusmin has a 93.8% voting interest and a 71.2% interest in the profits of the Klukwan Iron Ore Corporation. Indusmin received from Klukwan in 1972 dividends of \$(U.S.) 56,800. Klukwan's net earnings in 1972 were \$(U.S.) 70,266, and the working capital position at December 31 was \$(U.S.) 210,162. The principal asset of Klukwan is a large low-grade iron ore deposit in Alaska under lease to the United States Steel Corporation until the year 2036.

Shareholders

There were 3,036 Indusmin shareholders as of 31 December 1972, (3,178 in 1971). Falconbridge Nickel Mines Limited held 806,030 shares, approximately 69% of the 1,167,901 shares issued. The issued capital did not change in 1972.

Directors

Mr. Kenneth Dunn resigned from the Indusmin Board in December 1972, and was replaced by Mr. J. K. Godin, a consultant to the mining industry with broad management and operating experience. Mr. Dunn is the Controller of the parent company, Falconbridge Nickel Mines Limited, and his valued counsel is still available to Indusmin.

Outlook

The prospects for 1973 are encouraging. Your Management is forecasting sales will be higher than in 1972 and earnings before the extraordinary item will reflect a corresponding improvement. There will be however, in 1973, a marked reduction in the value of the extraordinary item, from \$442,100 in 1972 to an estimated \$159,500. This will have a significant impact on the final earnings calculation.

Appreciation

The record for 1972 illustrates very substantial improvement in comparison with 1971. This achievement necessitated the best efforts of all employees. Your Directors express their sincere appreciation and congratulate all concerned. The continuing support extended by our customers, shareholders and suppliers is also gratefully acknowledged.

On behalf of the Board of Directors,

J.J. Mather
President and Managing Director

February 14, 1973

Nepheline Syenite Division

Division Manager: W. B. Midgette

Mine Manager: D. C. Cook

	1972	1971
Sales Volume	$4,737,456	$4,260,011
% of Total Sales	*35.8%*	*38.9%*

Sales in 1972, in comparison with the previous year, increased 11.2% in dollar volume and 7.5% in terms of tons sold.

The division maintained its share of the market in the glass and ceramic industries and improved its position in the paint and plastics industries. Sales to overseas markets decreased rather sharply in comparison with 1971. We anticipate, however, that this trend will be reversed in 1973.

There were very substantial additions to the ore reserves in 1972 of some 4,000,000 tons. The ore reserve position is healthy with supplies for 35 years at current rates of production.

Notable improvements in productivity were achieved, offsetting to some degree the inflationary pressures. The addition of new ore-drying and fine-grinding equipment once again provides the mill with a comfortable level of surplus capacity.

Capital expenditures in the year amounted to $334,579. Projects planned for 1973 will cost an estimated $440,000. Characteristically in this division, as in all divisions, expenditures on environmental control equipment will be of major proportions, in addition to equipment replacement and modernization. The expenditures planned for expansion are modest and relate entirely to the production of the 'Minex' product line for paints and plastics.

The Collective Agreement at Nephton expired in October. A new two-year contract was signed providing for substantial increases in the wage rates and improvements in the employee welfare programs.

The general outlook for sales in 1973 is optimistic. From all appearances the North American economy will be healthy and will present opportunities for further growth.

Aggregates Division

Division Manager: A. G. Borud

Mine Manager, Acton: D. L. Murdy

Mine Manager, Halton: G. R. Lee

	1972	1971
Sales Volume	$3,086,776	$2,718,977
% of Total Sales	*23.4%*	*24.8%*

The sales volume in 1972 in comparison with 1971 represented an increase of 9.3% in tons sold and 13.5% in dollar volume. The selling prices were moderately higher in 1972 than in the previous year, however, the gains were obscured by substantial changes in product mix. The growth in tonnage predominantly occurred in the products sold at the bottom end of the price range. In spite of this, earnings were higher in 1972 due to the many improvements achieved in operating efficiency at both plants.

Your Company's land holdings at Acton total 780 acres. About one-seventh of this area has been mined and the remainder will support operations for in excess of 40 years at current rates of production.

The Halton property and plant, leased from the former operators, give Indusmin an overall capability to ship via truck and rail at competitive rates to most destinations in Metropolitan Toronto.

The land reclamation and rehabilitation programs were advanced at both locations in 1972 in accordance with the site plans filed with the Provincial authorities. These programs are perennial in nature and will continue to absorb large amounts of money. The feasibility of employing the excavations for the disposal of processed solid waste has received much attention and the approval of all the regulating agencies is being sought.

Capital expenditures amounted to $349,395 in 1972, mostly for equipment replacement and modernization. A new crushing circuit was installed at Acton to increase the availability of certain grades.

The estimated cost of the 1973 capital program is $47,000. In addition, $470,000 worth of trucks and loading equipment will be leased for Acton to take over the quarry haulage function from the contractor, a move made necessary to control the operating costs.

A new Collective Agreement was negotiated with the Acton employees and will remain in force until October 1974. The employees at Halton are not affiliated with a union.

The outlook for 1973 is for modest growth in sales and earnings.

Silica Division

Division Manager: R. S. Grindley

Quebec Operations

Mine Manager: R. Lavertu

	1972	1971
Sales Volume	$3,362,568	$2,743,763
% of Total Sales	*25.4%*	*25.1%*

Sales and earnings of the Quebec Operations in 1972 were the highest ever. The 22.6% gain in sales severely strained production capacity, and plant expansion is urgently needed to capture the additional market available. Funds have been appropriated for this purpose in 1973 anticipating settlement of the airport expropriation issue. Notice was received in March 1969 to the effect that Indusmin's properties at St. Canut would be expropriated for a new Montreal Airport — the future for these properties has been uncertain ever since. The Federal Government latterly has indicated that it will be possible to permit Indusmin, with certain restrictions, to continue operations for not less than 20 years. The terms of occupation and the cash settlement have not been agreed upon, but there has been notable progress and negotiations continue. The ore reserves within the territories to be occupied (as presently defined) are sufficient to sustain production for well in excess of the 20-year term of the proposed lease.

The St. Canut productivity level and cost performance in 1972 were excellent, maintaining the improvement achieved and in evidence in the last half of 1971. The St. Donat property was put in operation for a brief period to build up inventory levels.

In 1972 the capital expenditures amounted to $156,704, having been carefully restricted awaiting definite indication that Indusmin would be permitted to occupy the area involved in the expropriation for a reasonable length of time, and under reasonable terms.

The 1973 capital program will cost an estimated $380,000.

The St. Donat Collective Agreement expires in July of 1973. The current St. Canut Agreement is in force until January 1, 1974.

The sales outlook for 1973 is very promising. While the anticipated increases in wage, haulage and stripping costs will be only partially offset by price increases, the predicted gain in sales volume, particularly if the restrictions on capital spending can be lifted, will permit the pattern of improving profitability to be maintained.

Ontario Operations

Mine Manager: A. R. Watt

	1972	1971
Sales Volume	$2,034,282	$1,224,146
% of Total Sales	*15.4%*	*11.2%*

The 1972 sales volume exceeded that of 1971 by 66.2% indicating a significant improvement in the performance of the Midland process plant. Some problems remain, however, prohibiting full realization of the market potential. The mechanical difficulties, for the most part, have been eliminated. A major modification among several planned for implementation in 1973, is to increase the melting-sand production capacity. Such an increase, however, must be realized without the derivation of substantial new quantities of "fine" material. The market for the "fine" material is growing, and new applications have been developed, but the prospects for new tonnage in 1973 are limited.

This Operation generated a positive cash flow of $317,500 in 1972 compared with a cash drain of $14,000 in the prior year. The write-offs in 1972 amounted to $682,000.

Shipments from Badgeley Island, the site of the quarry and crushing plant, to the Midland process plant and directly to customers totalled 305,000 tons. Ore reserves at year end amounted to 15,500,000 tons.

Capital expenditures in 1972 were $222,968 of which amount some 43% was directed to the implementation of environmental control measures. The budget cost estimate for the 1973 Ontario operations' capital program is $400,000, and half of this amount will be absorbed by the environmental control program at Midland.

The two Collective Agreements now in force expire in 1973 — that at Badgeley Island in April, and at Midland in October.

The 1973 sales and earnings performance will show minor improvement in comparison with 1972, reflecting still further gains in capacity and efficiency at Midland. Unfortunately, the selection, testing, engineering and installation of circuit changes is a slow process, and must be accomplished without serious disruption of existing production schedules.

indusmin limited

(incorporated under the laws of Canada)

Consolidated Statement of Earnings and Retained Earnings

year ended December 31, 1972

	1972	1971
Sales	$13,221,082	$10,946,897
Cost of products sold	7,996,133	7,165,808
Selling, general and administrative expenses	1,639,762	1,337,954
	9,635,895	8,503,762
Operating profit before providing for depletion, development expenditures and depreciation	3,585,187	2,443,135
Depletion	31,819	30,707
Development expenditures written off	180,989	43,675
Depreciation	1,698,340	1,514,043
	1,911,148	1,588,425
Operating profit	1,674,039	854,710
Interest expense	298,539	374,765
	1,375,500	479,945
Income from investments	76,296*	77,203*
	1,451,796	557,148
Income and mining taxes		
Currently payable	130,177	51,751
Deferred (note 8)	515,600	87,000
	645,777	138,751
Net income before the undernoted extraordinary item	806,019	418,397
Extraordinary item (note 8)	442,100	40,800
Net earnings for the year	1,248,119	459,197
Retained earnings, beginning of year	1,397,580	1,522,333
	2,645,699	1,981,530
Dividends paid	642,345	583,950
Retained earnings, end of year	$ 2,003,354	$ 1,397,580

*including in 1972 dividends of $73,690 received from associated companies ($74,487 in 1971)

Earnings per share:		
Before extraordinary item	$ .69	$ .36
After extraordinary item	$1.07	$ .39

Consolidated Statement of Financial Position

December 31, 1972

	1972	1971
Current assets		
Cash	$ 9,267	$ 12,945
Accounts receivable for product and freight	2,915,088	2,475,100
Inventories (note 3)	1,654,597	1,860,645
Prepaid expenses and other current assets	150,799	95,491
	4,729,751	4,444,181
less		
Current liabilities		
Bank advances	4,244,242	5,187,556
Accounts payable and accrued charges	1,254,294	1,367,685
Estimated income and mining taxes payable	72,895	15,761
Principal payments on mortgage loans due within one year	2,000	5,397
	5,573,431	6,576,399
Working capital (deficiency)	(843,680)	(2,132,218)
Mining properties, plant and equipment, net (notes 4 and 5)	11,808,044	12,372,455
Other mining properties and expenditures thereon	672,110	672,259
Unamortized deferred development expenditures	953,740	999,405
Investment in unconsolidated subsidiary (note 1)	321,053	321,053
Investment in associated and other companies (note 7)	447,313	447,313
Deferred income taxes (note 8)	212,600	176,400
Loans receivable, secured	32,988	34,027
Total assets less current liabilities	13,604,168	12,890,694
Mortgage loans less amounts due within one year	136,800	138,800
Deferred mining taxes (note 8)	610,000	500,300
	746,800	639,100
Shareholders' equity	$12,857,368	$12,251,594
Ownership evidenced by:		
Capital stock		
Authorized — 2,000,000 shares with no par value		
Issued and fully paid — 1,167,901 shares	$10,854,014	$10,854,014
Retained earnings	2,003,354	1,397,580
	$12,857,368	$12,251,594

Approved on behalf of the Board:

W. E. CURRY, *Director*

J. J. MATHER, *Director*

indusmin limited

Consolidated Statement of Source and Application of Funds

year ended December 31, 1972

	1972	1971
Source of funds		
Net earnings for the year	$ 1,248,119	$ 459,197
Charges against operations which did not require a cash outlay during the year:		
Depreciation, depletion and amortization of deferred development expenditures	1,911,148	1,588,425
Disposal of fixed and other assets	33,709	167,992
Income and mining taxes deferred, less extracrdinary item (note 8)	73,500	46,200
	3,266,476	2,261,814
Application of funds		
Expenditures on land, plant, equipment and mine development	1,334,780	1,798,113
Expenditures on sundry other assets	(1,187)	23,557
Provision for payments on mortgage loans	2,000	5,397
Dividends paid to shareholders	642,345	583,950
	1,977,938	2,411,017
INCREASE (DECREASE) IN WORKING CAPITAL	1,288,538	(149,203)
WORKING CAPITAL DEFICIENCY, beginning of year	2,132,218	1,983,015
WORKING CAPITAL DEFICIENCY, end of year	$ 843,680	$ 2,132,218

Auditors' report to the Shareholders

We have examined the consolidated statement of financial position of Indusmin Limited and its wholly-owned subsidiary company as at December 31, 1972 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Indusmin Limited and its consolidated subsidiary as at December 31, 1972 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McColl, Turner & Co.

Peterborough, Canada
January 31, 1973

Chartered Accountants

Notes to Consolidated Financial Statements

December 31, 1972

1. Subsidiary companies and principles of consolidation (a) The consolidated financial statements for 1972 reflect the financial position and the results of the operations of Indusmin Limited and the wholly-owned subsidiary company, American Nepheline Corporation. (b) The financial statements of the majority-owned foreign subsidiary company, Klukwan Iron Ore Corporation, have not been consolidated with those of Indusmin Limited. As a matter of corporate policy, the investment in the shares of this company is carried at cost. Indusmin Limited owns 95.6% of the issued Class A shares representing a voting interest of 93.8% and a 71.2% interest in the earnings of Klukwan Iron Ore Corporation. This company owns a large low-grade iron ore deposit in Alaska which is under lease until the year 2036 to the United States Steel Corporation for a minimum annual royalty payment of $100,000 ($40,000 in 1971 and prior years). The lessee has the right to (a) purchase the deposit for $10,000,000 less all royalties paid to date of purchase, (b) terminate the lease on ninety days' notice. By an arrangement with the lessee, terminating in April 1973, Japanese interests are conducting feasibility studies and exploration work on the deposit.

The relevant financial data, expressed in U.S. dollars, is set out below:

	1972		1971	
	Total	Indusmin's share*	Total	Indusmin's share*
Net book value	$375,455	$267,324	$386,384	$274,719
Working capital	210,162	149,635	221,090	157,195
Net income	70,266	50,029	33,863	24,077
Dividends paid	79,754	56,800	39,949	28,400

*based on the 71.2% interest in earnings (71.1% in 1971)

Indusmin Limited has taken into income in 1972 $48,280 being a dividend of U.S. $56,800, less U.S. non-resident tax thereon. The comparable net dividend income in 1971 was $24,140.

2. Foreign exchange translation Assets and liabilities in currencies other than Canadian dollars have been translated into Canadian dollars at current rates of exchange at December 31, 1972 except that fixed assets and accumulated depreciation have been translated at the rates prevailing at dates of acquisition. Revenues and expenses in currencies other than Canadian dollars have been translated at the average monthly quoted rates of exchange except that provisions for depreciation have been translated at the rates prevailing when the expenditures on the related fixed assets were made.

3. Inventories

	1972	1971
Inventories of crude ore and finished products — valued at the lower of cost or net realizable value	$ 899,750	$1,054,758
Inventory of mine and mill supplies —at cost	754,847	805,887
	$1,654,597	$1,860,645

4. Expropriation proceedings In March 1969 the Canadian Government expropriated all the lands, minerals, real properties, rights and interests therein of Indusmin Limited near St. Canut, Quebec for the purposes of the construction of the new Montreal International Airport. The Company has on these lands a substantial plant for the production of silica from the deposits there located and has continued to operate these facilities.

The most recent proposal, submitted by government without prejudice in December 1972, contemplates the continuation of the silica operations under a lease arrangement for a period of twenty years. Negotiations directed toward an agreement with government concerning the compensation to be awarded in respect of losses occasioned by the expropriation are still being actively pursued. The Company anticipates that the outcome of these negotiations will not result in any loss. Accordingly, the accounts have not been adjusted pending a final settlement.

5. Mining properties, plant and equipment

	1972	1971
Buildings, plant and equipment, at cost less	$25,114,834	$23,975,181
Accumulated depreciation	14,272,274	12,582,444
	10,842,560	11,392,737
Mining properties and land, at cost less depletion	965,484	979,718
	$11,808,044	$12,372,455

The Company policy is to provide for the depletion of aggregate deposits on the basis of ore withdrawn and to amortize the cost of the other industrial mineral deposits, commencing in 1971, in equal annual amounts over 25 years. Depreciation of plant and equipment is calculated on the straight line basis assuming a useful life of six years for mobile equipment and twelve years for all other plant and equipment.

Repairs and maintenance are charged to operations or development; betterments and replacements are capitalized. Upon sale or retirement, the cost of the assets and the related allowances for depreciation are removed from the accounts and any gains or losses thereon are taken into earnings.

6. Development and preproduction expenditures Expenditures on development of ore bodies prior to the commencement of production are deferred in the Company's accounts. The amounts so deferred with respect to aggregate deposits are being written off over twelve years on the straight line basis — in the case of the other ore bodies, these expenditures are being amortized on the basis of ore withdrawn as a percentage of estimated ore reserves in the particular deposits.

7. Investment in associated and other companies The Company's investments — which remained unchanged in 1972 — are detailed as follows:

	Number of shares	Indicated market value	Cost
Falconbridge Nickel Mines Limited	16,759	$1,093,525	$433,196
Quebec Cobalt and Exploration Limited	43,200	19,440	4,968
Other		1,420	9,149
		$1,114,385	$447,313

The market values shown above are based upon closing market prices on December 29, 1972 and are not necessarily indicative of the amount that could be realized if the securities were to be sold due to the number of shares involved.

8. Income and mining taxes The Company, in accounting for corporate income and mining taxes, uses the deferral method of tax allocation to determine the total taxes applicable to the net earnings of the year. The taxes currently payable in any year may vary from the taxes applicable to the earnings of that year by reason of timing differences which arise when expenses recorded in the accounts differ from related amounts claimed, in a particular year, in calculating taxable income. As a result, the Company has three types of taxes where deferment is involved, being **(a)** deferred income taxes and **(b)** deferred mining taxes — both of which result from the timing differences referred to above — and, in addition, **(c)** income taxes deferred as a consequence of providing for deferred mining taxes which, when paid, become an allowable deduction in the calculation of income taxes.

The tax equivalents of the timing differences referred to above are as follows:

	December 31 1970	Year 1971	December 31 1971	Year 1972	December 31 1972
Income taxes **(a)**	$(642,400)	$40,800	$(601,600)	$442,100	$(159,500)
Mining taxes **(b)**	430,300	70,000	500,300	109,700	610,000
Income taxes relating to mining taxes **(c)**	(152,600)	(23,800)	(176,400)	(36,200)	(212,600)
Provision for deferred taxes		$87,000		$515,600	

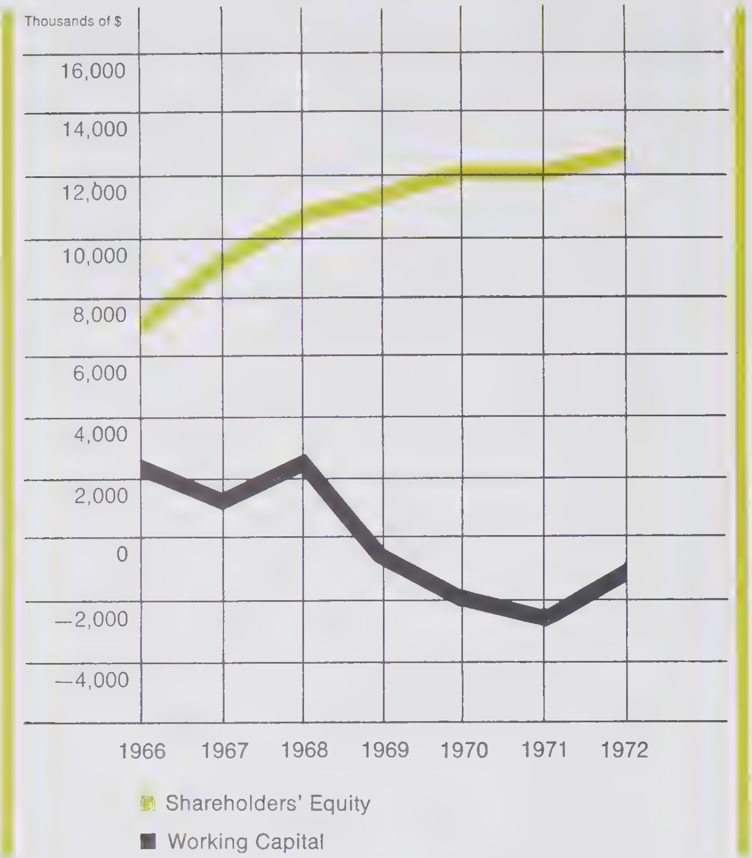
The balance of ($159,500) at December 31, 1972 shown above represents the amount which should be available to reduce corporate income taxes on future profits. The figure does not appear on the consolidated statement of financial position as it is Company policy to recognize the credit only as taxable profits become available. In 1972 taxable profits were such that the corporate income taxes applicable to 1972 earnings were reduced, as shown on the above table, by $442,100. Accordingly, this reduction has been taken into 1972 income as an Extraordinary item. The comparable figure for 1971 is $40,800.

9. Lease obligations The Company in 1970 leased certain mineral property and equipment from Halton Crushed Stone Limited for a five year period subject to options to renew for further five year periods. The property is held under an agreement which provides for an annual rental of $90,000, a participation in profits and a royalty on products sold.

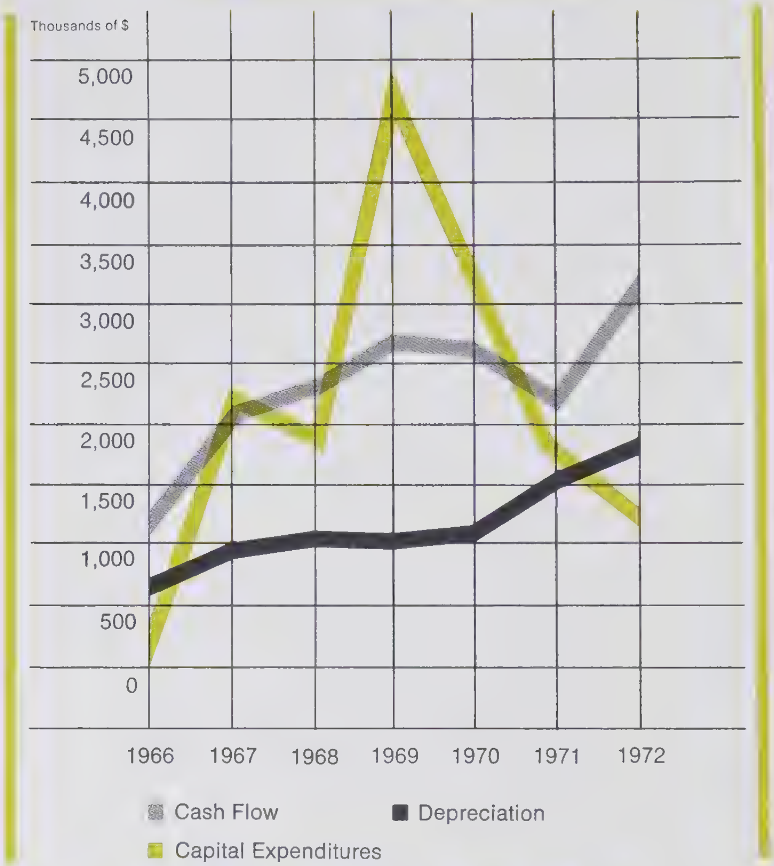
10. Retirement plans The Company, in association with Falconbridge Nickel Mines Limited and certain affiliated companies, maintains retirement plans providing retirement, death and termination benefits for substantially all salaried employees. The plans have been amended from time to time and, based upon the most recent actuarial evaluation, such amendments have resulted in unfunded past service obligations having a present value of $176,861 at January 1, 1973 which have not been provided for in the Company's accounts. The Company intends to fund these obligations through annual payments over the next sixteen years.

11. Directors and senior officers The Board of Directors of the parent Company, Indusmin Limited, consists of seven directors whose remuneration as directors totalled $6,002, in 1972. There are twelve officers and senior managers, one of whom is also a director of the Company. The remuneration of the officers and senior managers aggregated $299,858 in 1972. No remuneration of directors, officers or senior managers of the parent Company has been included in the accounts of the subsidiary companies.

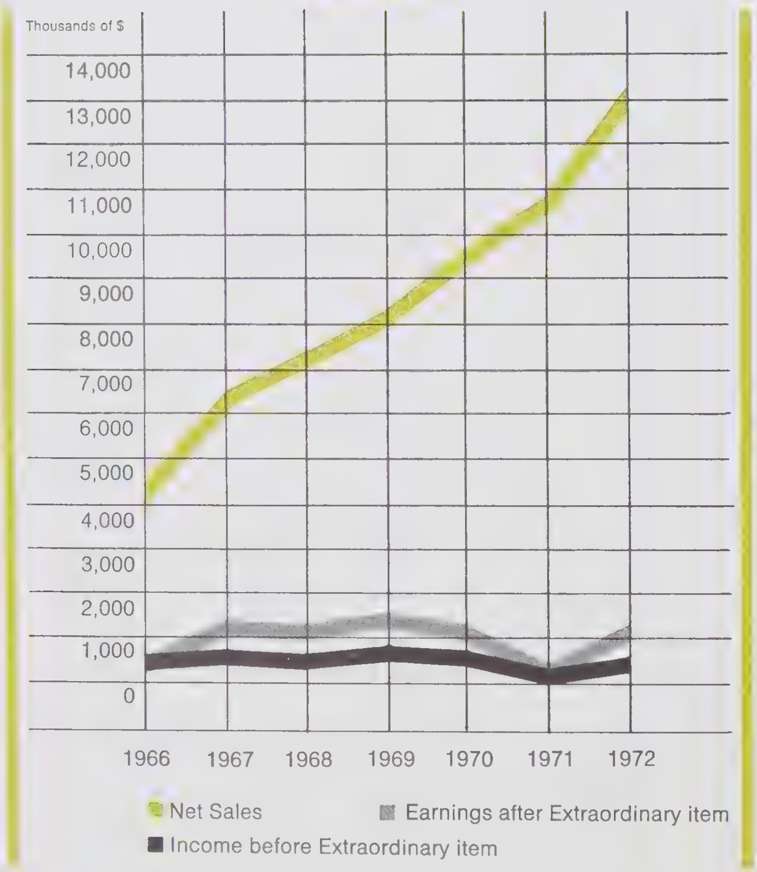
Shareholders' Equity
Working Capital



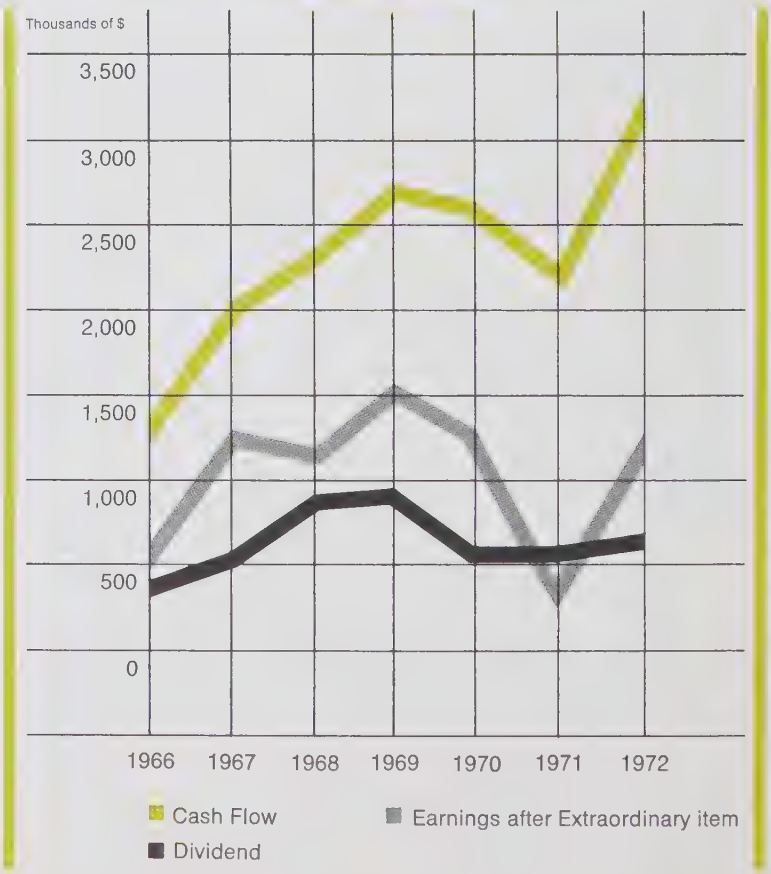
Cash Flow Depreciation
Capital Expenditures



Net Sales
Income



Net Earnings Cash Flow
Dividend



Statistical Summary

(Dollars in 000's except amounts per share)

	1972	1971	1970	1969	1968	1967	1966
Operating results							
Sales	$ 13,221	$ 10,947	$ 9,736	$ 8,220	$ 7,379	$ 6,532	$ 4,448
Operating profit —	1,674	855	1,724	1,555	1,190	1,045	949
— *% of sales*	*12.7*	*7.8*	*17.7*	*18.9*	*16.1*	*16.0*	*21.3*
Interest expense	298	375	366	112	—	—	—
Other income	76	77	91	224	34	56	49
Income before taxes	1,452	557	1,449	1,667	1,224	1,101	998
Income and mining taxes	646	139	627	695	537	298	389
Net income —	806	418	822	972	687	803	609
— *% of sales*	*6.1*	*3.8*	*8.4*	*11.8*	*9.3*	*12.3*	*13.7*
— per share	$ .69	$ .36	$ .70	$ .83	$ .59	$ .83	$ .71
Add extraordinary item	442	41	483	567	526	526	—
Net earnings —	1,248	459	1,305	1,539	1,213	1,329	609
— per share	$ 1.07	$ .39	$ 1.12	$ 1.32	$ 1.04	$ 1.38	$ .71
Capital & mine development expenditures	1,335	1,798	3,450	4,862	1,971	2,284	358
Depreciation, amortization & depletion	1,911	1,588	1,142	1,064	1,100	984	724
Cash flow from operations	3,266	2,262	2,668	2,707	2,318	2,018	1,412
Financial position							
Working capital (deficit)	(844)	(2,132)	(1,983)	(629)	2,604	1,568	2,488
Net plant & equipment	11,808	12,372	12,416	10,725	6,925	7,176	4,433
Total assets	19,178	19,467	19,631	17,433	12,171	11,221	8,165
Shareholders' equity	12,857	12,252	12,376	11,655	10,992	9,539	7,324
% Return on shareholders' equity	*9.7*	*3.7*	*10.5*	*13.2*	*11.0*	*13.9*	*8.3*
Dividends							
Dividends — paid	642	584	584	876	825	550	471
— per share	$ .55	$ .50	$ .50	$ .75	$ .75	$ .60	$ .55
Shares outstanding 31st December	1,167,901	1,167,901	1,167,901	1,167,901	1,167,901	965,497	856,855

NOTES:

1. The figures for 1970 and prior years have been restated to reflect
   (a) the adoption of the tax allocation basis of accounting for income and mining taxes,
   (b) the inclusion in the income statement of items which were previously shown in the statement of retained earnings.
2. Acton Limestone Quarries Limited was merged with Indusmin Limited in 1967.
3. Q.M.I. Minerals Limited was merged with Indusmin Limited in 1968.

indusmin limited

Head office

P.O. Box 40, Commerce Court West,
Toronto. M5L 1B4

Directors

*W. E. Curry—Toronto, Ontario
President,
Gage Envelopes Limited

*J. K. Godin—Toronto, Ontario
Consulting Mining Engineer

F. D. Hart—Arlington, Virginia
President,
American Gas Association Inc.

E. L. Healy—Toronto, Ontario
Executive Vice President Operations,
Falconbridge Nickel Mines Limited

J. J. Mather—Toronto, Ontario
Vice President Industrial Minerals Division,
Falconbridge Nickel Mines Limited

R. E. Paré—Montreal, Quebec
Executive

*G. T. N. Woodrooffe—Toronto, Ontario
Vice President Corporate Affairs,
Falconbridge Nickel Mines Limited

*Members of the Audit Committee

Officers and senior management

J. J. Mather	—*President and Managing Director*
D. D. Anderson	—*Secretary*
J. D. Krane	—*Treasurer*
G. E. Dale	—*Controller*
G. E. Armstrong	—*General Manager Administration*
D. C. McDonald	—*Vice President Engineering*
D. G. Minnes	—*General Manager Corporate Development*
R. C. Wilson	—*Director of Research*
C. M. Woodruff	—*Vice President Operations*
A. G. Borud	—*Manager Aggregates Division*
R. S. Grindley	—*Manager Silica Division*
W. B. Midgette	—*Manager Nepheline Syenite Division*

Subsidiaries

American Nepheline Corporation
Wholly owned
P.O. Box 3766,
Columbus, Ohio. 43214

Klukwan Iron Ore Corporation
93% voting interest
Suite 201, 311 Franklin Street,
Juneau, Alaska

Transfer agents

Crown Trust Company,
302 Bay Street,
Toronto, Ontario M5H 2P4

Auditors

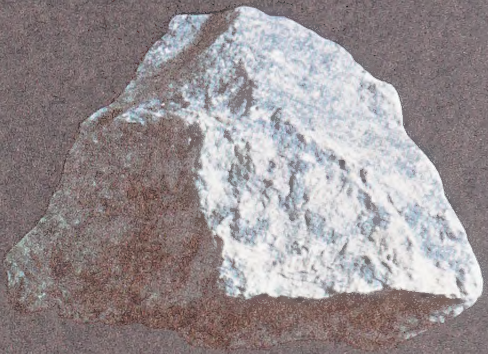
McColl, Turner & Co.,
Peterborough, Ontario

Solicitors

Strathy, Archibald, Seagram and Cole,
Suite 1700, 110 Yonge Street,
Toronto, Ontario. M5C 1T7

indusmin

Operations



Nepheline Syenite Division

PLANT No. **1**
Nephton, Ontario

Silica Division

PLANT No. **2**
St. Canut, Quebec

PLANT No. **5**
Badgeley Island, Ontario

PLANT No. **3**
St. Donat, Quebec

PLANT No. **6**
Midland, Ontario

Aggregates Division

PLANT No. **4**
Acton, Ontario

PLANT No. **7**
Milton, Ontario

YARD No. **2**
Scarborough, Ontario

YARD No. **3**
Pinecrest, Ontario

Research Centre

1933 Leslie Street, Don Mills, Ontario

Product Applications

	Container Glass	Sheet Glass	Fibre Glass	Concrete Products	Paint	Vinyl Plastic	Ceramics	Foundry	Construction	Asbestos Pipe	Abrasives	Foam Rubber
Nepheline Syenite	●	●	●		●	●	●					●
Silica	●	●	●	●	●		●	●	●	●	●	
Aggregates				●					●			

indusmin limited

Commerce Court West, P.O. Box 40,
Toronto, Ontario, Canada.
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